

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Greenbelt Division)

In re:

*

KH FUNDING COMPANY,

*

Case No. 10-37371-TC
(Chapter 11)

Debtor.

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* * * * *

**SUPPLEMENTAL
VERIFIED STATEMENT OF SARAH E. LONGSON
PURSUANT TO BANKRUPTCY RULE 2014(a)**

I hereby declare and affirm under the penalties of perjury that the contents of the following are true and correct:

1. Kollman & Saucier, P.A. (“Kollman & Saucier”) has no connection with KH Funding Company (the “Debtor”), its creditors, the United States Trustee, or any employee in the Office of the United States Trustee, or any other party in the interest in the Debtor’s Chapter 11 case, or their respective attorneys and/or accountants, except as set forth below.

2. Kollman & Saucier provided services to the Debtor prior to the Petition Date. Kollman & Saucier has no claim against the Debtor for unpaid fees billed prior to the Petition Date.

3. In connection with its engagement by the Debtor, Kollman & Saucier reviewed the names of individuals or entities who are the Debtor’s prepetition secured and unsecured creditors and equity holders. Kollman & Saucier entered the names of such parties into its computerized database containing the names of all its past and existing clients. Except as set forth herein, none of the parties were identified as present or past clients of Kollman & Saucier.

4. Kollman & Saucier previously represented Patrick Shane Moore and PSM, LLC in connection with a loan transaction with the Debtor that was subsequently modified. Both parties were advised of the potential conflict of interest concerning Kollman & Saucier's involvement and each party executed a waiver of conflict. The Debtor was represented by its own counsel in the transaction. The transaction concluded.

5. In November, 2011, Kollman & Saucier was asked to document the terms of an agreement between the Debtor and Patrick Shane Moore and PSM, LLC relating to the property known as 2609 Bauernschmidt Drive, Baltimore County, Maryland. The property is owned by 2609 Bauernschmidt Drive, LLC, the membership interests of which are 100% owned by the Debtor. The parties reached an agreement on terms directly without involving counsel, and Kollman & Saucier will be preparing the documents reflecting that agreement. The Debtor's primary bankruptcy counsel will be reviewing the documents, and the agreement will be subject to Court approval. Because (a) the parties reached agreement without counsel, (b) there is no controversy between the parties, (c) both the Debtor and Patrick Shane Moore and PSM requested that Kollman & Saucier prepare the documents because of its familiarity with the transaction, and (d) the Debtor is ably represented by its primary counsel, Kollman & Saucier does not believe that an actual conflict of interest exists with respect to this transaction.

6. Kollman & Saucier will continue to conduct periodic searches of its computerized conflict database to determine whether other parties in interest in this case are present or past clients of the firm. If necessary, Kollman & Saucier will supplement this Verified Statement if it becomes aware of any connections not heretofore disclosed.

7. The representations identified above do not constitute a conflict which would prevent Kollman & Saucier from exercising independent judgment in its representation of the

Debtor. Kollman & Saucier does not believe that it represents any interest adverse to that of the Debtor and believes that the firm is a “disinterested person” within the meaning of 11 U.S.C. § § 101(14) and 327(a).

/s/ Sarah E. Longson, Bar No. 07742

Kollman & Saucier, P.A.

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Dated: November 18, 2011